

## Message Text

CONFIDENTIAL

PAGE 01 STATE 219469

55

ORIGIN EB-11

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-10 ISO-00 INR-10 SPC-03

EUR-25 CIAE-00 DODE-00 PM-07 H-03 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SS-20 USIA-15 ACDA-19 IO-14

COME-00 INT-08 TRSE-00 SCEM-02 SCI-06 /210 R

DRAFTED BY EB/ORF/FSE:WBWHITMAN:CJR

11/6/73 EXT. 20753

APPROVED BY EB - MR. ARMSTRONG

EB/ORF - MR. KATZ

NEA - MR. DAVIES

ARA - MR. SZABO

INR - MR. GHIARDI

AF - MR. STOKES

S/PC - MR. RUSER

EA - MR. WILSON

EUR/RPE - MR. TARRANT

----- 063364

R 071447Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY MONTEVIDEO

AMEMBASSY NASSAU

AMEMBASSY PANAMA

AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 219469

AMCONSUL RIO DE JANEIRO

AMEMBASSY SAN JOSE  
AMEMBASSY SAN SALVADOR  
AMEMBASSY SANTIAGO  
AMEMBASSY SANTO DOMINGO  
AMEMBASSY TEGUCIGALPA  
AMEMBASSY ACCRA  
AMEMBASSY ABIDJAN  
AMEMBASSY ADDIS ABABA  
AMEMBASSY ANKARA  
AMEMBASSY BANGKOK  
AMEMBASSY DACCA  
AMEMBASSY DAKAR  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY ISLAMABAD  
AMEMBASSY KINSHASA  
AMEMBASSY MANILA  
AMEMBASSY MONROVIA  
AMEMBASSY NAIROBI  
AMEMBASSY NEW DELHI  
AMEMBASSY NICOSIA  
AMEMBASSY SEOUL  
AMEMBASSY SINGAPORE  
AMEMBASSY TAIPEI  
AMEMBASSY KUALA LUMPUR  
INFO ALL OECD CAPITALS  
USINT ALGIERS  
AMEMBASSY TRIPOLI  
USINT BAGHDAD  
AMEMBASSY KUWAIT  
AMEMBASSY JIDDA  
AMEMBASSY ABU DHABI  
AMEMBASSY TEHRAN  
AMEMBASSY LAGOS  
AMEMBASSY JAKARTA  
AMEMBASSY QUITO  
AMEMBASSY CARACAS

C O N F I D E N T I A L STATE 219469

KUWAIT ALSO PASS DOHA  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 219469

E.O. 11652: GDS  
TAGS: ENRG  
SUBJECT: OIL SUPPLY AND PRICE ISSUES

1. DEPARTMENT HAS BEGUN TO RECEIVE QUERIES FROM VARIOUS  
POSTS ABOUT EXTENT TO WHICH THEIR COUNTRIES WILL BE  
DEPRIVED OF OIL SUPPLY AS RESULT OF CUTS IN PRODUCTION

OF ARAB OIL. ARAB PRODUCERS HAVE PLACED UPON THE OIL COMPANIES BURDEN OF ENFORCING CUTBACKS AND BOYCOTTS AND OF ALLOCATING REMAINING PRODUCTION. MANY OF THESE COMPANIES ARE US CONTROLLED AND ARE A MAJOR FACTOR IN THE OIL SUPPLY PICTURE OF MANY NATIONS. DEPARTMENT ANTICIPATES THERE MAY BE SOME OFFICIAL COMPLAINTS BY GOVERNMENTS ABOUT REDUCTIONS IN THEIR SUPPLY BY US COMPANIES AND THE WAY THESE CUTS ARE ADMINISTERED.

2. THE INTEGRATED NATURE OF THE INTERNATIONAL OIL INDUSTRY WILL PRESUMABLY CAUSE THE OIL COMPANIES TO SUPPLY THEIR MARKETS AND VARIOUS INSTALLATIONS TO THE BEST OF THEIR ABILITY. IDLE REFINERY CAPACITY OR NEGLECT OF ESTABLISHED MARKETS WOULD RUN COUNTER TO THEIR INTERESTS.

3. ALTHOUGH WE WOULD THEREFORE HOPE FOR EQUITABLE DISTRIBUTION, DEPARTMENT CANNOT PUT ITSELF IN POSITION OF WORLD-WIDE "HONEST BROKER" TO FIRST IDENTIFY HARDSHIP CASES AND THEN PRESSURE COMPANIES TO REMEDY THE SITUATION. THIS IS ESPECIALLY TRUE IN TODAY'S EXTREMELY TIGHT SUPPLY SITUATION WHERE ONE COUNTRY'S GAIN IN OIL SUPPLY WILL MEAN THAT ANOTHER WILL BE DEPRIVED.

4. IT IS LIKELY THAT US COMPANY AFFILIATES AND OTHER CUSTOMERS WILL SOON RECEIVE DATA ON PRECISE EXTENT TO WHICH THEIR SUPPLIES WILL BE REDUCED. IN AT LEAST ONE CASE, US COMPANY RESIDENT REPRESENTATIVES WILL BE INSTRUCTED TO DIRECTLY INFORM HOST GOVERNMENTS AND PROVIDE PRESS GUIDANCE TO AMELIORATE POSSIBLE NEGATIVE REACTIONS. IN VIEW OF GLOBAL NATURE THIS PROBLEM WE SUGGEST THAT POSTS NEEDING DATA ON OIL CUTBACKS IN THEIR COUNTRY SEEK THIS INFORMATION FROM LOCAL US COMPANY REPRESENTATIVES OR LOCAL CUSTOMERS OF US OIL FIRMS.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 219469

5. IN RESPONDING TO LOCAL INQUIRIES OR COMPLAINTS THAT MAY ARISE YOU SHOULD NOTE THAT DECISION BY ARAB PRODUCERS TO REDUCE PRODUCTION HAS CREATED A WORLDWIDE PROBLEM SERIOUSLY AFFECTING MOST COUNTRIES. WE FAIL TO SEE HOW DEPRIVING THE WORLD OF BADLY-NEEDED OIL WILL ACHIEVE THE OBJECTIVES BEING SOUGHT BY THE ARAB PRODUCERS. YOU SHOULD ALSO TAKE SUITABLE OPPORTUNITY TO SQUELCH THE PERSISTENT AND WHOLLY UNTRUE RUMOR THAT USG HAS INDUCED THE MAJORS TO DIVERT OIL FROM THIRD COUNTRY MARKETS TO THE US. AS FAR AS WE KNOW, COMPANIES ARE NOT DIVERTING OIL TO THE US.

6. RECENT SHARP INCREASES IN THE PRICE OF OIL WILL ALSO BE A SOURCE OF CONTROVERSY WHICH MAY REACH YOU OFFICIALLY

BECAUSE OF THE ROLE OF AMERICAN OIL COMPANIES IN PASSING THESE RISES ON TO CONSUMERS. THE RECENT PRICE HIKE OF ABOUT 70 PERCENT BY PERSIAN GULF PRODUCERS, HAS ALREADY TOUCHED OFF A ROUND OF INCREASES OUTSIDE THE PERSIAN GULF. ALTHOUGH THE PRICE RISES ARE NOT DIRECTLY RELATED TO THE ARAB-ISRAELI SITUATION (IRAN PLAYED AN IMPORTANT ROLE IN PRICE DELIBERATIONS BUT AS A NON-ARAB STATE IS NOT PARTICIPATING IN THE BOYCOTT), THE TWO EVENTS ARE SIMILAR IN THEIR ARBITRARY AND PREEMPTORY NATURE. THIS LATEST PRICE INCREASE AND THE CONTINUING UPWARD PRICE SPIRAL THAT IT ENCOURAGES WILL PRESENT BOP AND OTHER ECONOMIC-FINANCIAL DIFFICULTIES TO ALL CONSUMERS. THE IMPLICATIONS FOR THE LDCS, WHO ARE LEAST ABLE TO MEET THE HIGH OIL PRICES DEMANDED, ARE ESPECIALLY SERIOUS AND IN MANY CASES THESE COUNTRIES WILL BE FINANCIALLY CONSTRAINED TO REDUCE THEIR ENERGY USAG. YOU MAY THEREFORE WANT TO POINT OUT IF APPROACHED THAT BOTH THE SUPPLY DISRUPTIONS AND THE PRICE RISES WERE UNILATERALLY AND ARBITRARILY IMPOSED ON ALL CONSUMERS. NEITHER STEP WAS ORIGINATED BY OR AGREED TO BY US OR OTHER OIL COMPANIES. THEREFORE WHATEVER PRICE OR SUPPLY CONCERNS MAY EXIST SHOULD BE CONVEYED TO THOSE MIDDLE EASTERN PRODUCER STATES WHO ARE DIRECTLY RESPONSIBLE FOR THE SITUATION. RUSH

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, SUPPLIES, BOYCOTTS, EXPORT CONTROLS, EXPORT PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** collinp0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE219469  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** WBWHITMAN:CJR  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731149/aaaabjty.tel  
**Line Count:** 192  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** collinp0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 OCT 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31-Oct-2001 by martinml>; APPROVED <06 MAR 2002 by collinp0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OIL SUPPLY AND PRICE ISSUES  
**TAGS:** ENRG, US, XF  
**To:** ASUNCION MULTIPLE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005